

TOWN OF MORRISTOWN FIVE YEAR FINANCIAL TREND ANALYSIS

Years ended December 31, 2010
through December 31, 2014

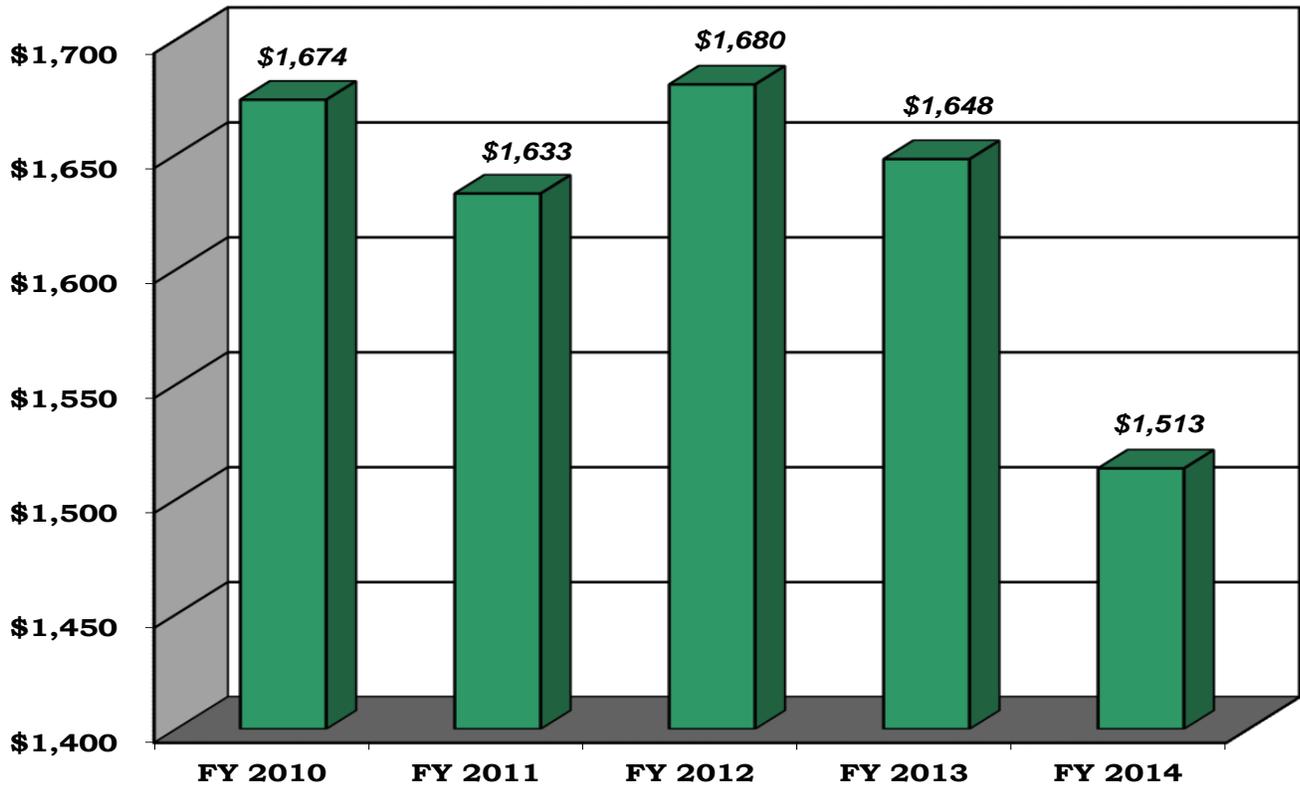


REVENUE ANALYSIS

OPERATING REVENUE PER CAPITA

Warning Trend: Decreasing Operating Revenue Per Capita.

Formula:
Net Operating Revenue (Constant Dollars)



<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Operating Revenue (Actual)*	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018	\$37,640,988
CPI Index	218.0	224.9	229.6	233.0	236.7
CPI Constant	123.62	127.54	130.20	132.13	134.23
CPI In Decimals	1.236	1.275	1.302	1.321	1.342
Net Operating Revenue (Constant)	\$31,643,872	\$30,065,540	\$30,939,223	\$30,341,093	\$28,042,301
Population	18,905	18,411	18,411	18,411	18,529
Operating Revenue Per Capita	\$1,674	\$1,633	\$1,680	\$1,648	\$1,513
Dollar Change	\$(6)	\$(41)	\$47	\$(32)	\$(135)
Percent Change	-0.37%	-2.44%	2.91%	-1.93%	-8.17%

*Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

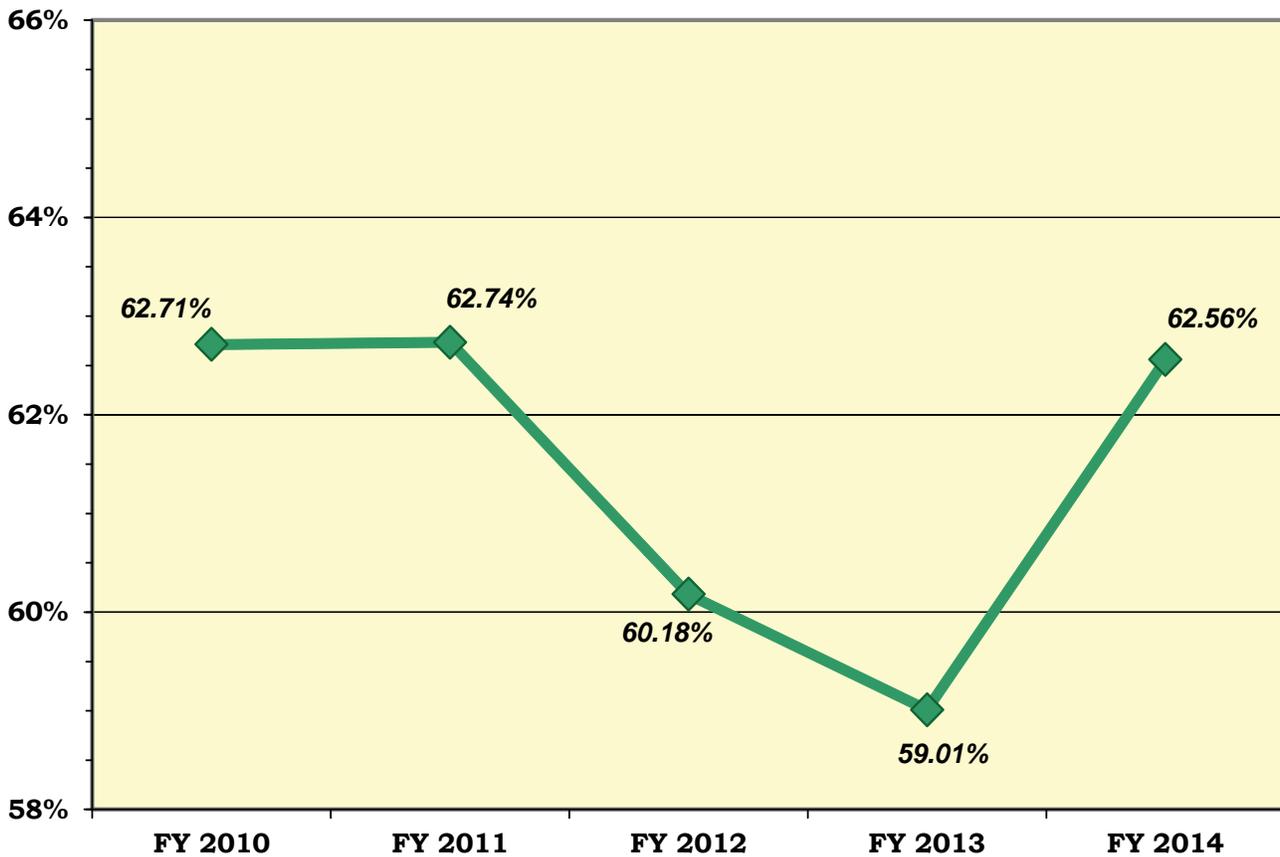
As population increases, it is expected that revenue and the need for service would increase proportionately. Per Capita Revenue shows changes in revenue relative to population. For a municipality to remain financially stable, Revenue Per Capita should remain at least constant and be relative to Expenditure Per Capita.

PROPERTY TAX REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Steady increase in the reliance of property tax revenue to balance the municipal budget.

Formula:

$$\frac{\text{Property Tax Revenue}}{\text{Total Operating Revenue}}$$



YEAR END	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total Operating Revenue*	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018	\$37,640,988
Property Tax Revenue	\$24,533,234	\$24,055,720	\$24,242,684	\$23,656,701	\$23,547,502
Percent of Total	62.71%	62.74%	60.18%	59.01%	62.56%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

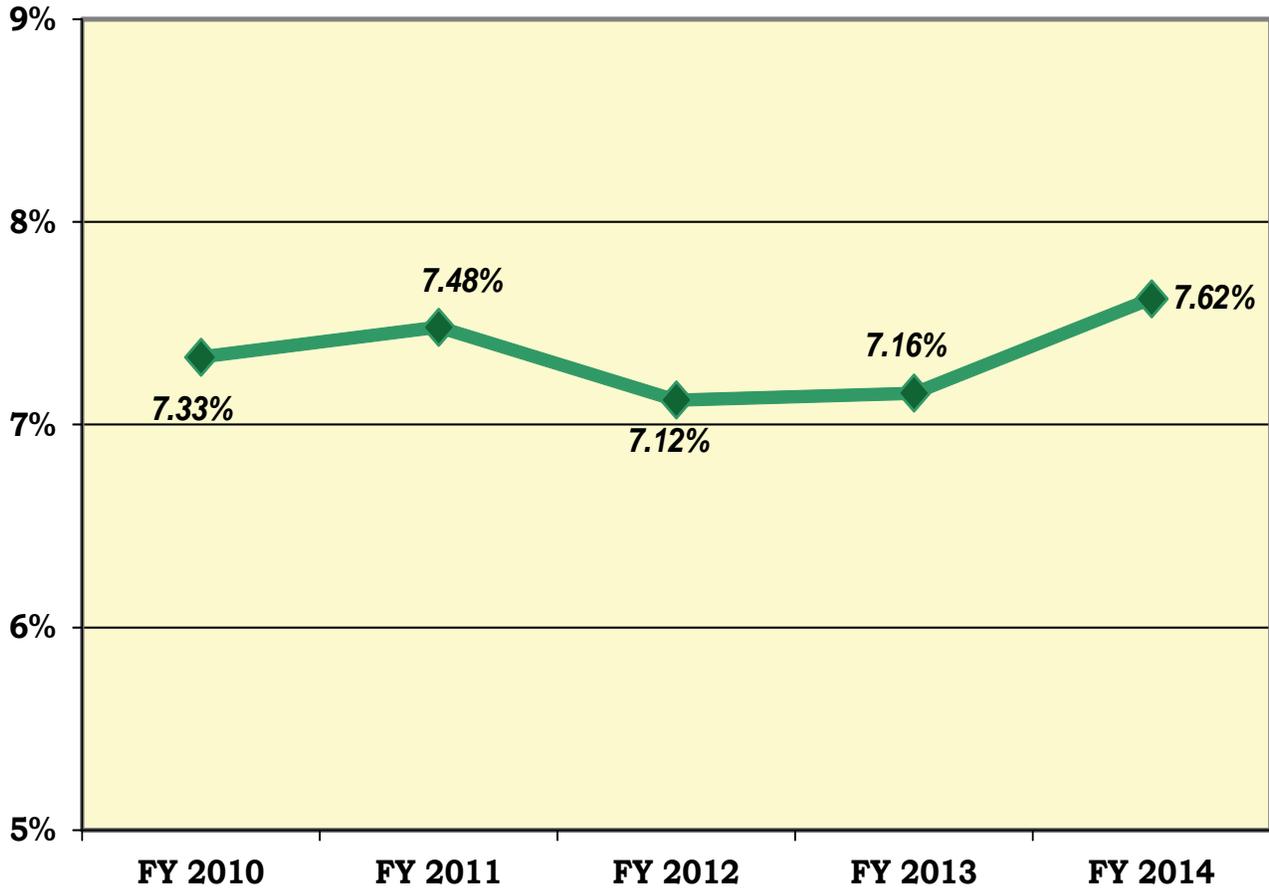
This indicator shows changes in revenue structure. Strong shifts in the percentage of any revenue source may be a warning of financial problems.

STATE AID REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of State Aid Revenue as a percentage of Total Operating Revenue.

Formula:

$$\frac{\text{State Aid Revenue}}{\text{Total Operating Revenue}}$$



FISCAL YEAR	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total Operating Revenue*	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018	\$37,640,988
State Aid Revenue	\$2,868,599	\$2,868,599	\$2,868,599	\$2,868,599	\$2,868,599
Percent of Total	7.33%	7.48%	7.12%	7.16%	7.62%
CPI In Decimals	1.232	1.271	1.297	1.317	1.342

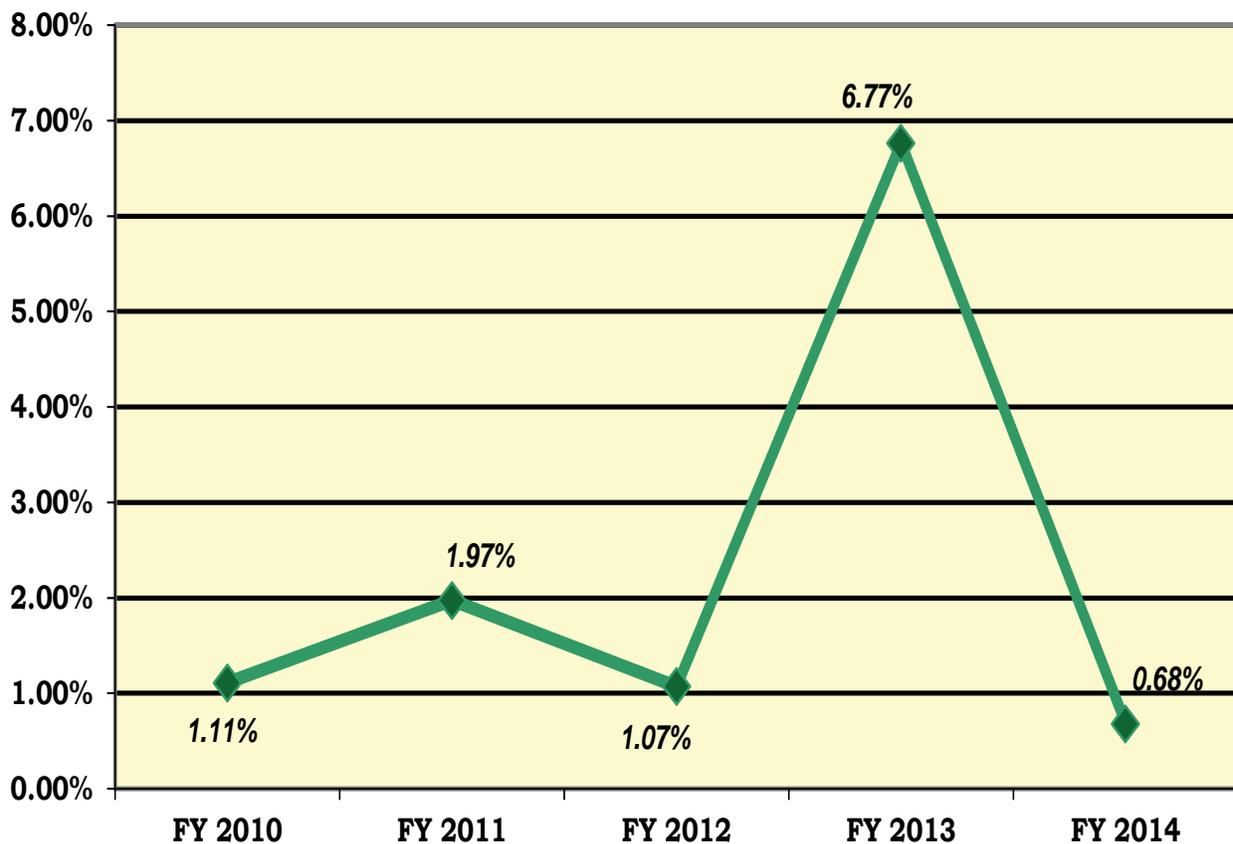
* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

State aid includes: Consolidated Municipal Property Tax Relief Aid and Energy Receipts Tax. This revenue is not earmarked and may be allocated towards any purpose. Decreasing State Aid Revenue and overdependence on its use to balance budget may create financial inflexibility and signal immediate financial vulnerability.

GRANT REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of Grant Revenue as a percentage of Total Operating Revenue.

Formula:
$$\frac{\text{Grant Revenue}}{\text{Total Operating Revenue}}$$



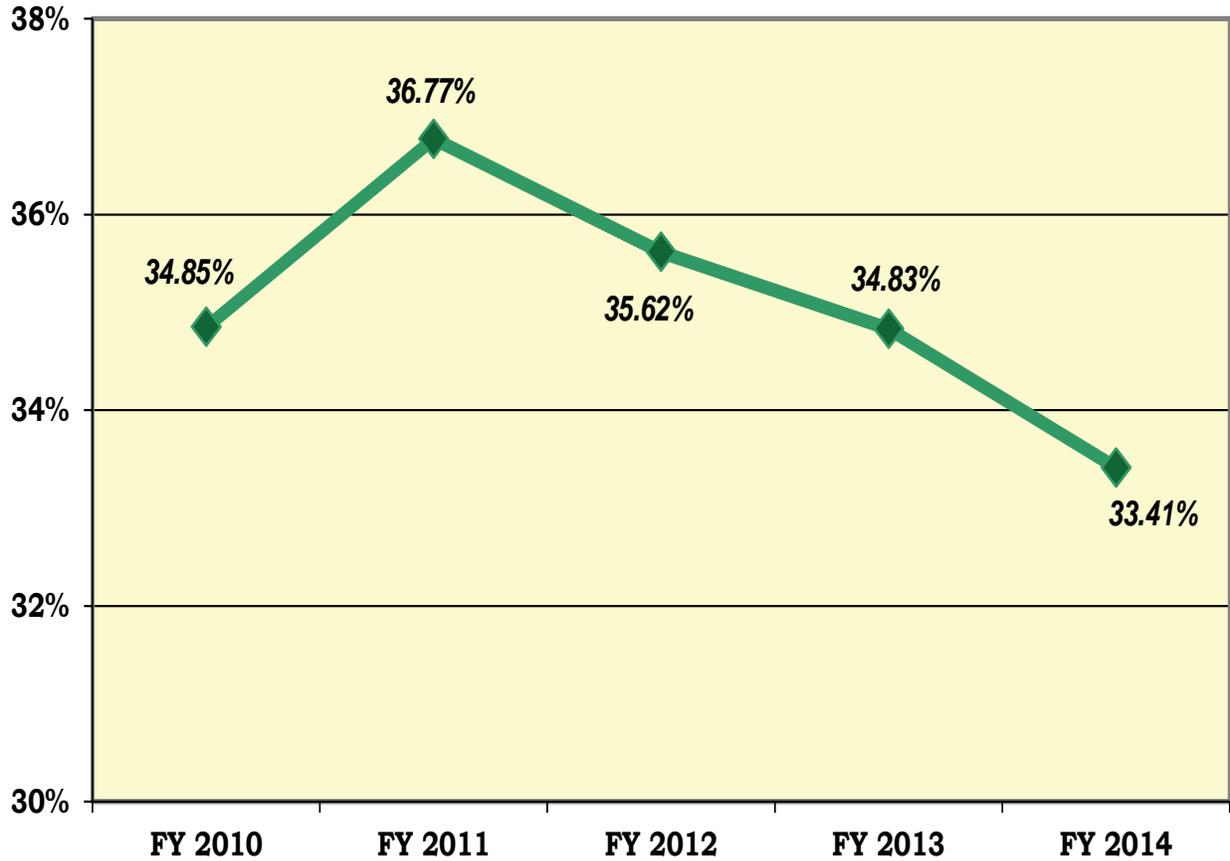
YEAR END	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total Operating Revenue*	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018	\$37,640,988
Grant Revenue	\$434,428	\$756,633	\$432,375	\$2,712,595	\$256,874
Percent of Total	1.11%	1.97%	1.07%	6.77%	0.68%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

Grants include Clean Communities, Municipal Alliance, Drunk Driving, Public Health Priority, Environmental. Protection, Body Armor Replacement program, Open Space land acquisition and various programs for Police Services. The grants are earmarked for specific purposes, often to implement State or Federal Programs. Decreasing Grant Revenue places a greater burden on the tax rate to balance the budget.

LOCAL REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of Local Revenue as a percentage of Total Operating Revenue.



<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Total Operating Revenue*	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018	\$37,640,988
Local Revenue*	\$13,632,606	\$14,100,058	\$14,347,953	\$13,963,452	\$12,576,363
Percent of Total	34.85%	36.77%	35.62%	34.83%	33.41%

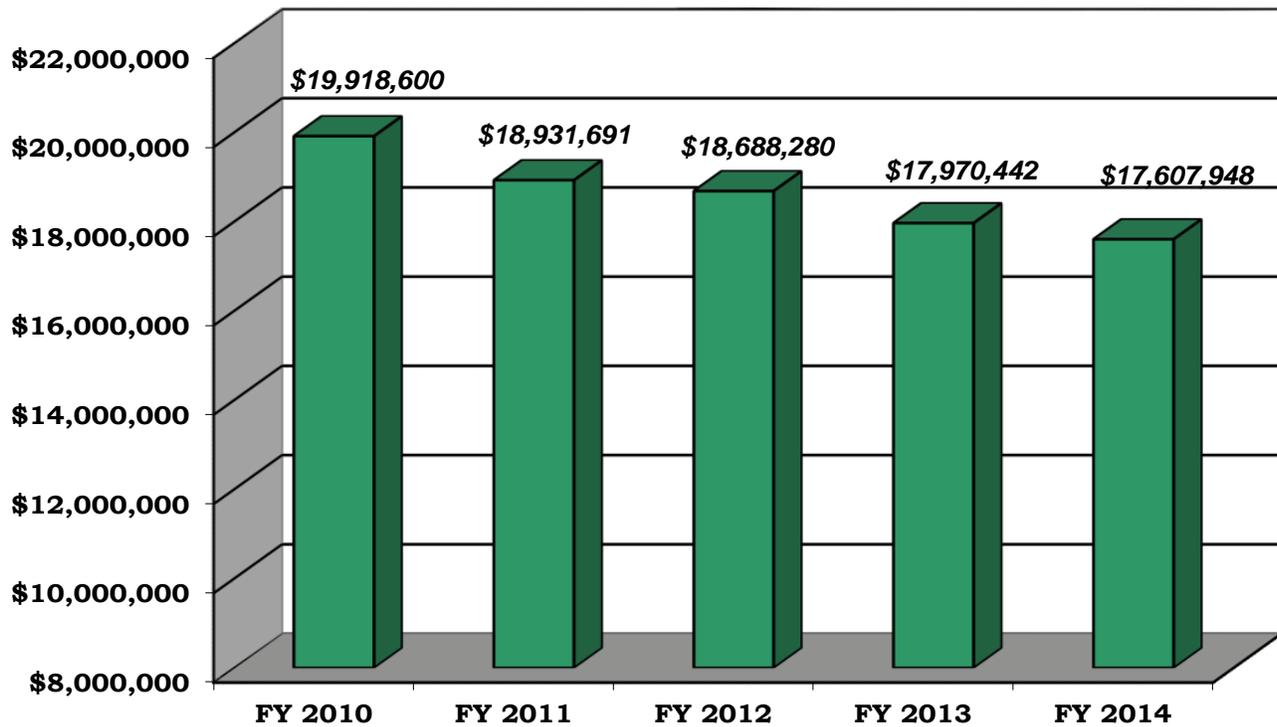
* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

PROPERTY TAX REVENUE

Warning Trend: Decline in total Property Tax Revenue

Formula:

$$\frac{\text{Property Tax Revenue (Constant)}}{\text{CPI In Decimals}}$$



<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Property Tax Revenue (Actual)*	\$24,533,234	\$24,055,720	\$24,242,684	\$23,656,701	\$23,547,592
CPI Index	218.0	224.9	229.6	233.0	236.7
CPI Constant	123.17	127.07	129.72	131.64	133.73
CPI In Decimals	1.232	1.271	1.297	1.316	1.337
Property Tax Revenue (Constant)	\$19,918,600	\$18,931,691	\$18,688,586	\$17,970,442	\$17,607,948
Dollar Change	\$(67,398)	\$(986,909)	\$(243,416)	\$(717,837)	\$(362,494)
Percent Change	-0.34%	-4.95%	-1.29%	-3.84%	-2.02%

* Property tax revenues are audited figures that include prior year delinquencies.

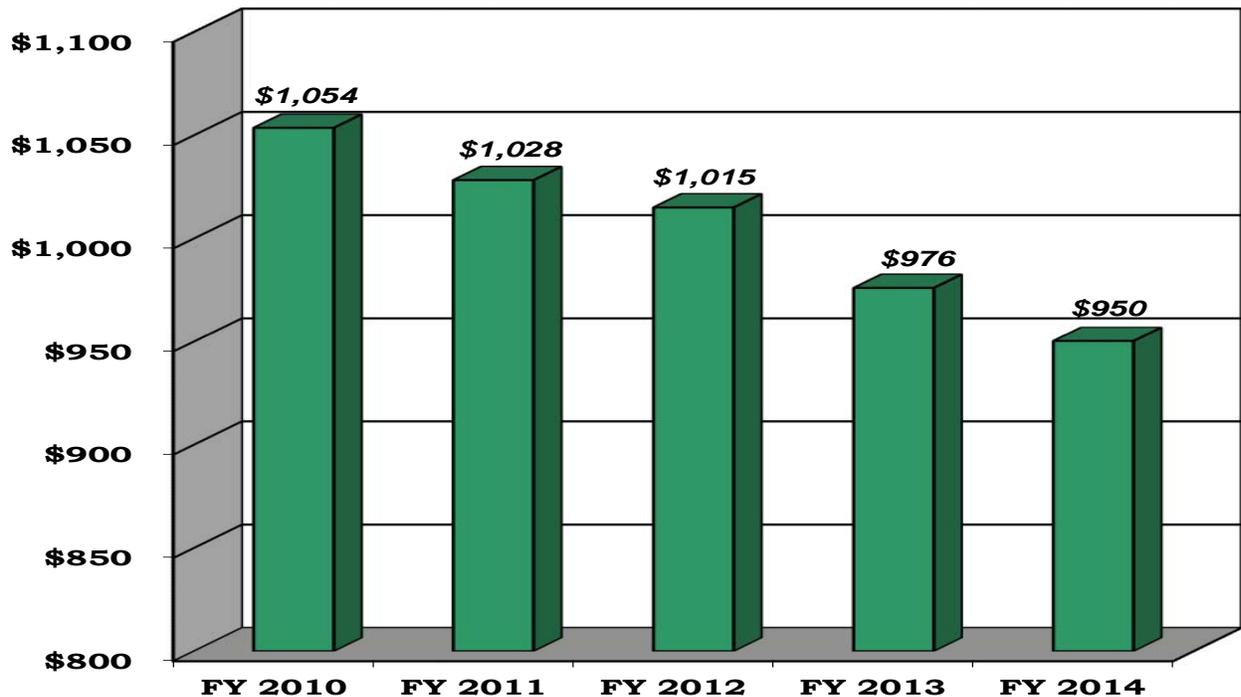
Fluctuations in Property Tax Revenue can be caused by many factors including new development, decline or rise in property values, age of property or a general decline in the regional economy. Towns that rely heavily on Property Tax Revenue are susceptible to serious economic disruption.

PROPERTY TAX REVENUE PER CAPITA

Warning Trend: Decreasing Property Tax Revenue Per Capita.

Formula:

$$\frac{\text{Property Tax Revenue (Constant)}}{\text{Population}}$$



<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Property Tax Revenue (Actual)*	\$24,533,234	\$24,055,720	\$24,242,684	\$23,656,701	\$23,547,592
CPI Index	218.0	224.9	229.6	233.0	236.7
CPI Constant	123.17	127.07	129.72	131.64	133.73
CPI In Decimals	1.232	1.271	1.297	1.316	1.337
Property Tax Revenue (Constant)	\$19,918,600	\$18,931,691	\$18,688,280	\$17,970,442	\$17,607,948
Population	18,905	18,411	18,411	18,411	18,529
Property Tax Revenue Per Capita	\$1,054	\$1,028	\$1,015	\$976	\$950
Dollar Change	\$(10)	\$(25)	\$(3)	\$(40)	\$(13)
Percent Change	-0.95%	-2.40%	-0.29%	-3.94%	-1.33%

* Property tax revenues are audited figures that include prior year delinquencies.

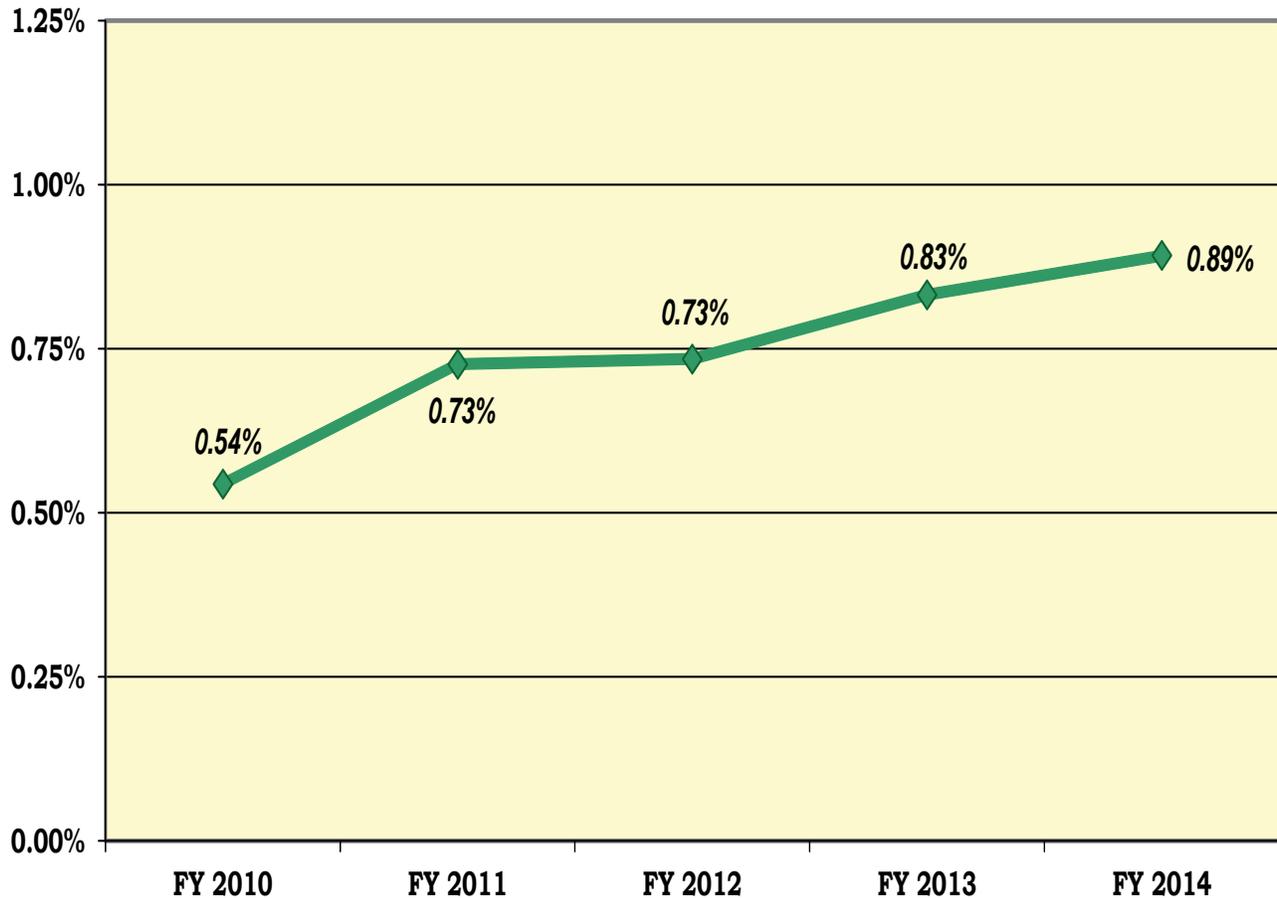
As population increases, it is expected that revenue and the need for service would increase proportionately. Per Capita Property Tax shows changes relative to population. For a municipality to remain financially stable, losses in Property Tax should be offset by increases in other forms of revenue.

OUTSTANDING PROPERTY TAXES

Warning Trend: Increasing Outstanding Property Tax Revenue as a percentage of Property Tax Levy.

Formula:

$$\frac{\text{Outstanding Property Taxes}}{\text{Property Tax Levy}}$$



<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Total Tax Levy	\$58,495,486	\$58,700,648	\$58,065,575	\$57,110,536	\$57,421,487
Outstanding Property Taxes	\$318,158	\$ 426,339	\$490,782	\$475,325	\$512,265
Percent of Total	0.54%	0.73%	0.85%	0.83%	0.89%

* Includes added and/or omitted tax assessed billings made in the 4th quarter of FY 2014 and not due until 1st quarter, FY 2015.

Increases in the percentage of property tax not collected indicates a serious financial problem. High levels of outstanding uncollected Property Tax decreases liquidity and the ability for the Town to meet its current bills and liabilities.

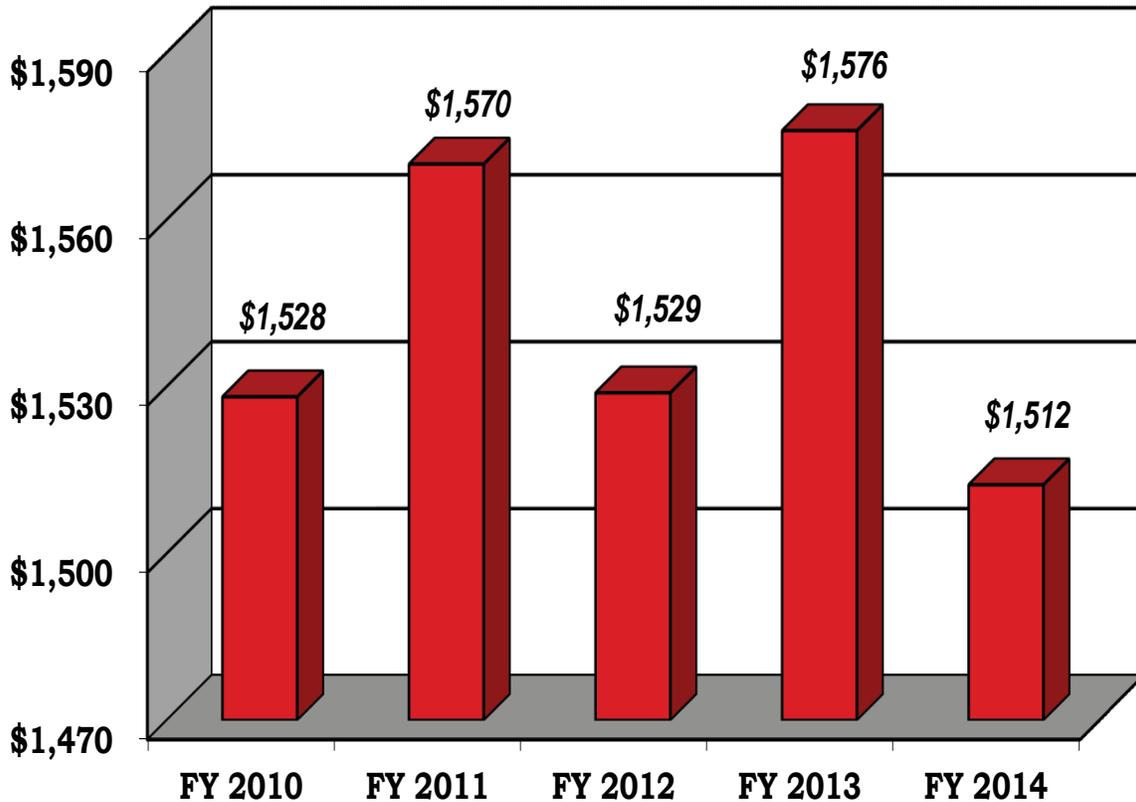
EXPENDITURE ANALYSIS

EXPENDITURE PER CAPITA

Warning Trend: Increase in Expenditures per Capita.

Formula:

$$\frac{\text{Total Expenditures (Constant)}}{\text{Population}}$$



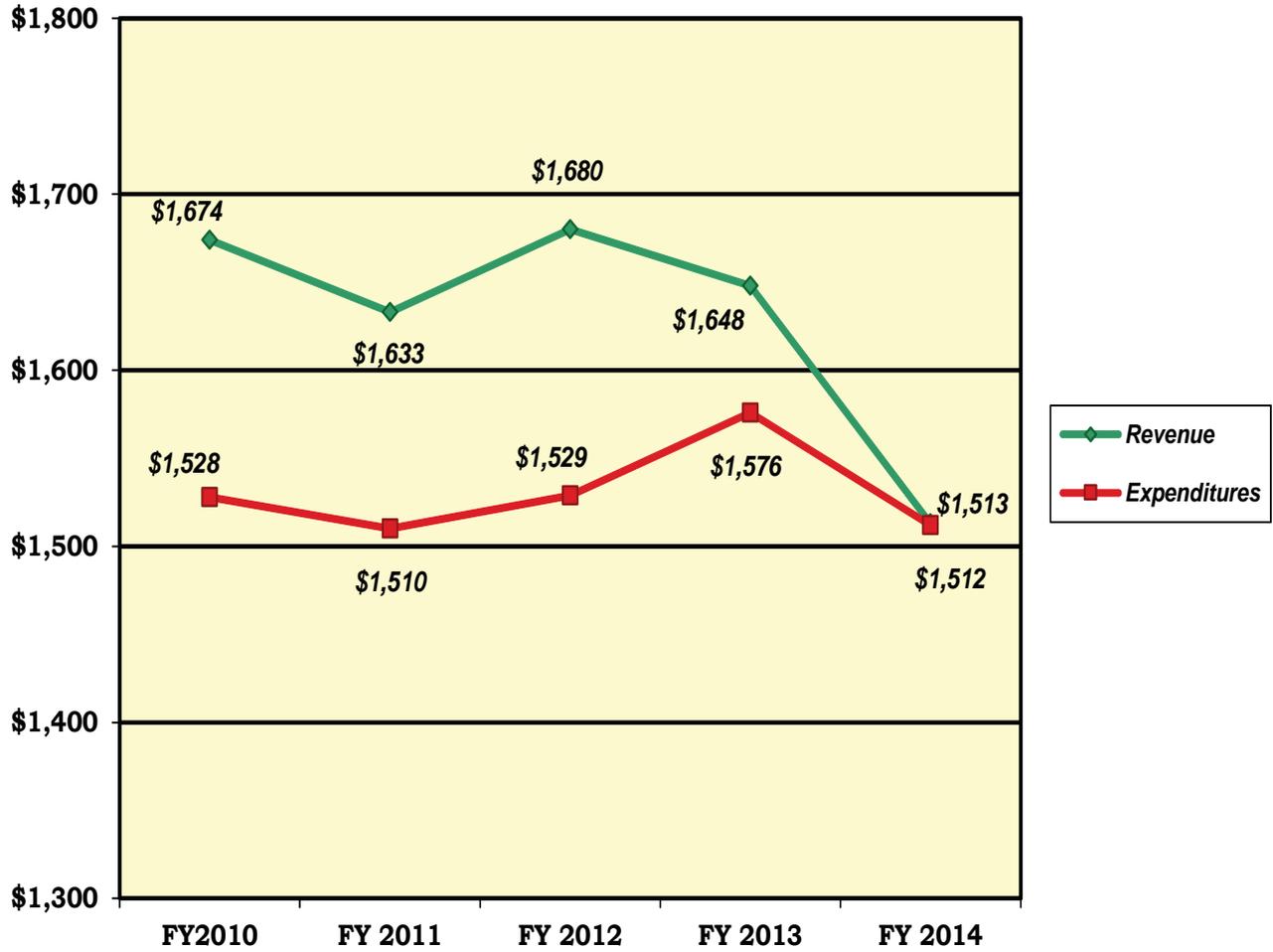
<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Total Expenditures (Actual)*	\$36,253,398	\$37,245,956	\$36,060,873	\$37,722,864	\$37,009,906
CPI Index	224.9	224.9	229.6	233.0	236.7
CPI Constant	125.49	125.49	128.11	130.01	132.07
CPI In Decimals	1.255	1.255	1.281	1.300	1.321
Total Expenditures (Constant)	\$28,889,455	\$29,680,400	\$28,147,799	\$29,015,417	\$28,022,044
Population	18,905	18,905	18,411	18,411	18,529
Expenditure Per Capita	\$1,528	\$1,570	\$1,529	\$1,576	\$1,512
Percent Change	-1.99%	2.74%	-2.62%	3.08%	-4.04%

* Final budget amounts spent in respective FY that differs from adopted FY budget amounts.

Fluctuations in Expenditures can be caused by many factors including new development, debt service, contractual obligations, changes in health and/or liability insurance.

REVENUE & EXPENDITURE PER CAPITA

Warning Trend: Expenditure Per Capita greater than Revenue Per Capita.



	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
OPERATING REVENUE PER CAPITA	\$1,674	\$1,633	\$1,680	\$1,648	\$1,513
EXPENDITURES PER CAPITA	\$1,528	\$1,510	\$1,529	\$1,576	\$1,512

PROPERTY TAX LEVY AS % OF EXPENDITURES PER PROPERTY OWNER

Appropriations	As Modified after Adoption FY 2014	Portion Funded through Tax Levy	Cost per Property Owner	Proposed FY 2015	Portion Funded through Tax Levy	Cost per Property Owner
<i>Municipal Operations</i>						
Business Administration/ Purchasing	\$ 819,378	\$ 511,909	\$ 118.06	\$ 892,244	\$ 548,261	\$ 126.68
Town Clerk	329,784	206,034	47.52	327,725	201,378	46.53
Police	6,033,135	3,769,621	869.38	6,095,528	3,745,542	865.42
Fire	3,306,135	2,065,518	476.36	3,313,545	2,036,087	470.45
Revenue and Finance	952,529	595,096	137.25	1,012,036	621,870	143.69
Code Enforcement	914,867	571,566	131.82	929,906	571,403	132.02
Building and UCC	802,010	501,058	115.56	835,620	513,467	118.64
Public Works	5,587,981	3,491,109	805.15	5,819,631	3,576,011	826.25
Legal	441,429	275,784	63.60	443,203	272,337	62.92
Municipal Court	549,722	343,441	79.21	558,138	342,961	79.24
Total Municipal Operations	\$19,737,611		\$2,843.90	\$20,227,576		\$2,871.84
<i>Other Appropriations</i>						
Insurance	\$4,860,778	\$3,036,787	\$ 700.37	\$5,079,205	\$3,121,038	\$ 721.13
Contributions to Organizations	209,600	130,948	30.20	166,600	102,371	23.65
Morris School District	187,737	117,289	27.05	188,435	115,788	26.75
Shared Service Agreements	503,032	314,271	72.48	503,625	309,464	71.50
Pensions and OASI	3,131,358	1,956,326	451.18	3,310,134	2,033,991	469.96
Deferred Charges & Judgment	0	0	0.00	984	605	0.14
Reserves and Contingent	825,000	515,421	118.87	1,040,000	639,053	147.66
Grants (Equal Revenue Amt.)	276,873			139,260		
Capital Improvements	250,000	156,188	36.02	250,000	153,618	35.49
Debt Service	5,058,457	3,160,287	728.85	4,767,558	2,929,539	676.88
Reserve for Uncollected Taxes	804,949	502,894	115.98	813,272	499,734	115.47
Total Other Appropriations	\$16,107,784		\$2,281.00	\$16,259,073		\$2,288.63
Total Appropriations	\$35,845,395	\$ 22,394,26		\$36,486,648	\$22,420,089	

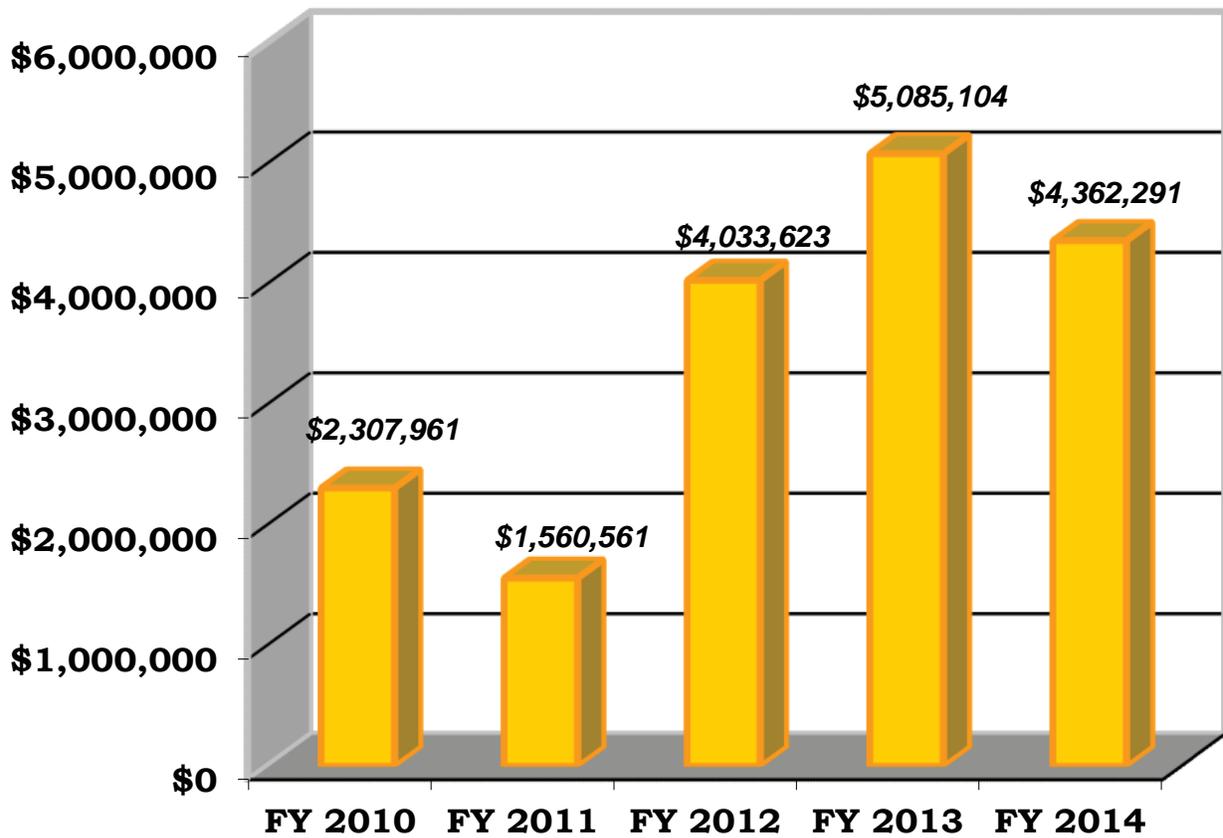
Tax Levy	\$22,394,526	\$22,420,089
Total Taxable Property Units	4,336	4,328

Tax payers should be aware of what municipal services and other expenditures are funded through the budget as well as how much of their tax dollars are being spent for each appropriation purpose. To illustrate these costs in a different manner, the chart above shows how much a property owner would pay annually for each area of the municipal budget if the tax levy was not based upon Net Assessed Valuation (“NAV”), but was determined simply by owning a property in the Town.

OPERATING POSITION

CHANGE IN FUND BALANCE

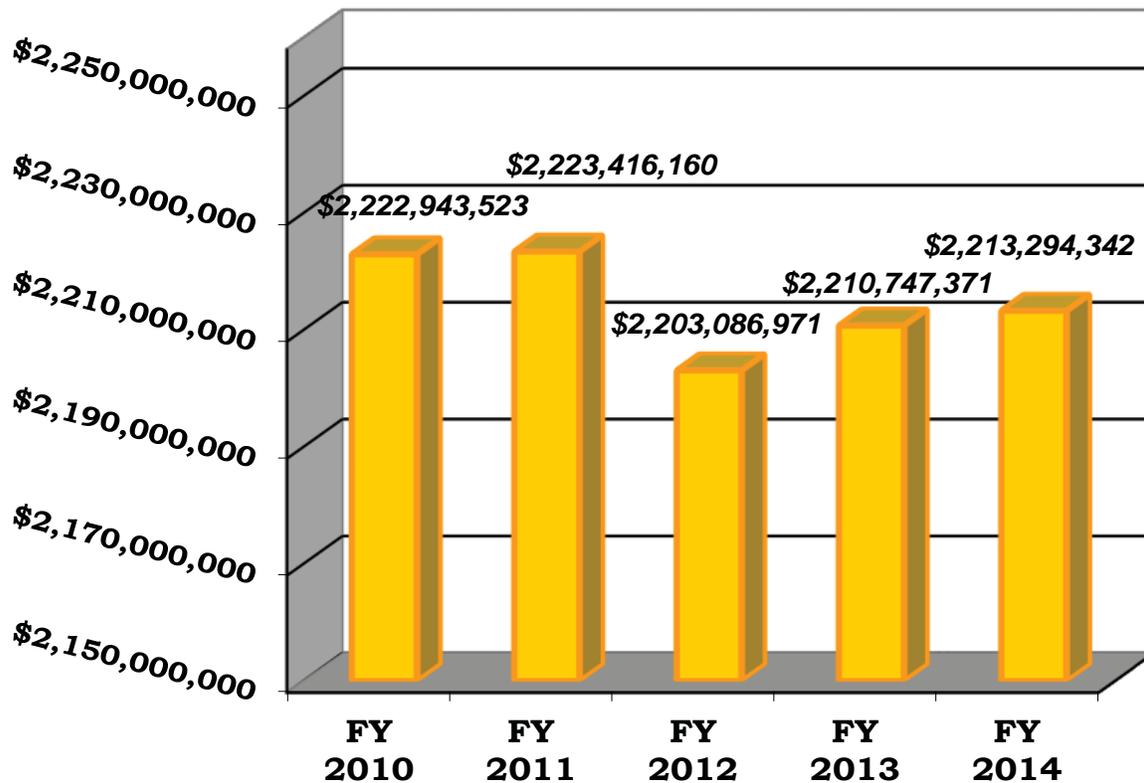
Warning Trend: Decrease in Fund Balance - 6% of the operating budget is an acceptable level of fund balance (approximately \$2.1 million).



<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Fund Bal. January 1st	\$1,984,055	\$2,307,961	\$1,560,561	\$4,033,623	\$5,085,104
Fund Bal. December 31st	\$2,307,961	\$1,560,561	\$4,033,623	\$5,085,104	\$4,362,291
Change in Fund Balance	\$323,906	(\$747,400)	\$2,473,062	\$1,051,481	(\$722,813)
Percentage Change	16.33%	-32.38%	158.47%	26.07%	-14.21%

CHANGE IN NET ASSESSED VALUATION

Warning Trend: Decrease in Net Assessed Valuation.

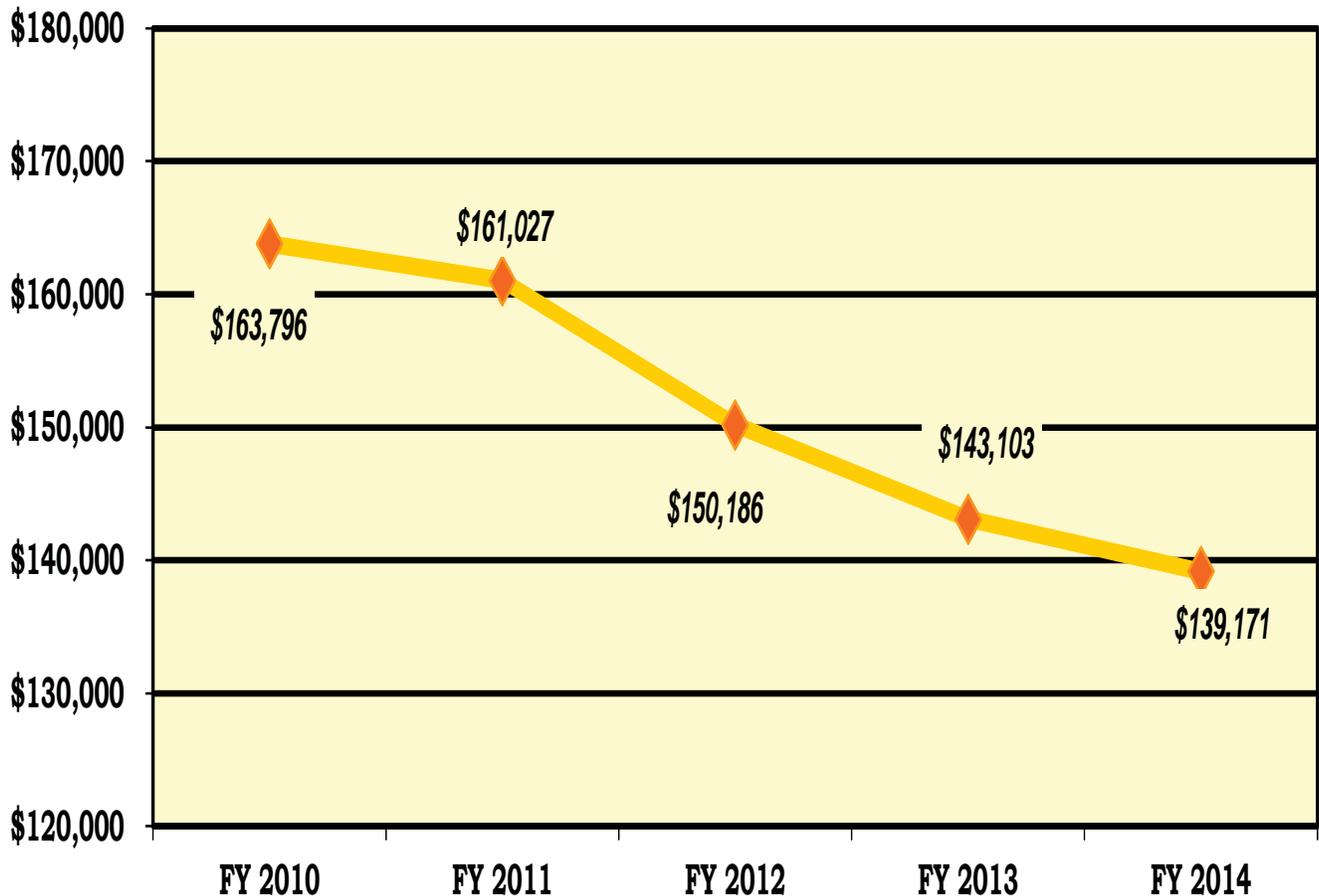


<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
NAV Bal. January 1st	\$2,257,639,929	\$2,222,943,523	\$2,223,416,160	\$2,203,086,971	\$2,210,747,371
NAV Bal. December 31st	\$2,222,943,523	\$2,223,416,160	\$2,203,086,971	\$2,210,747,371	\$2,213,294,342
Change in NAV (\$)	\$(34,696,270)	\$472,637	\$(20,329,189)	\$7,660,400	\$2,546,971
Percentage Change	-1.54%	0.02%	-0.91%	0.35%	0.12%

The graph above depicts the Town’s incremental NAV increase over the last couple years. Yet, it has struggled with, on the positive side, NAV increases due to new development projects and, on the negative side, multi-year tax appeal losses from large commercial assessments as a result of the severe real estate market downturn in 2008-09.

EQUALIZED VALUE PER CAPITA

This indicator is used for comparison purposes only.

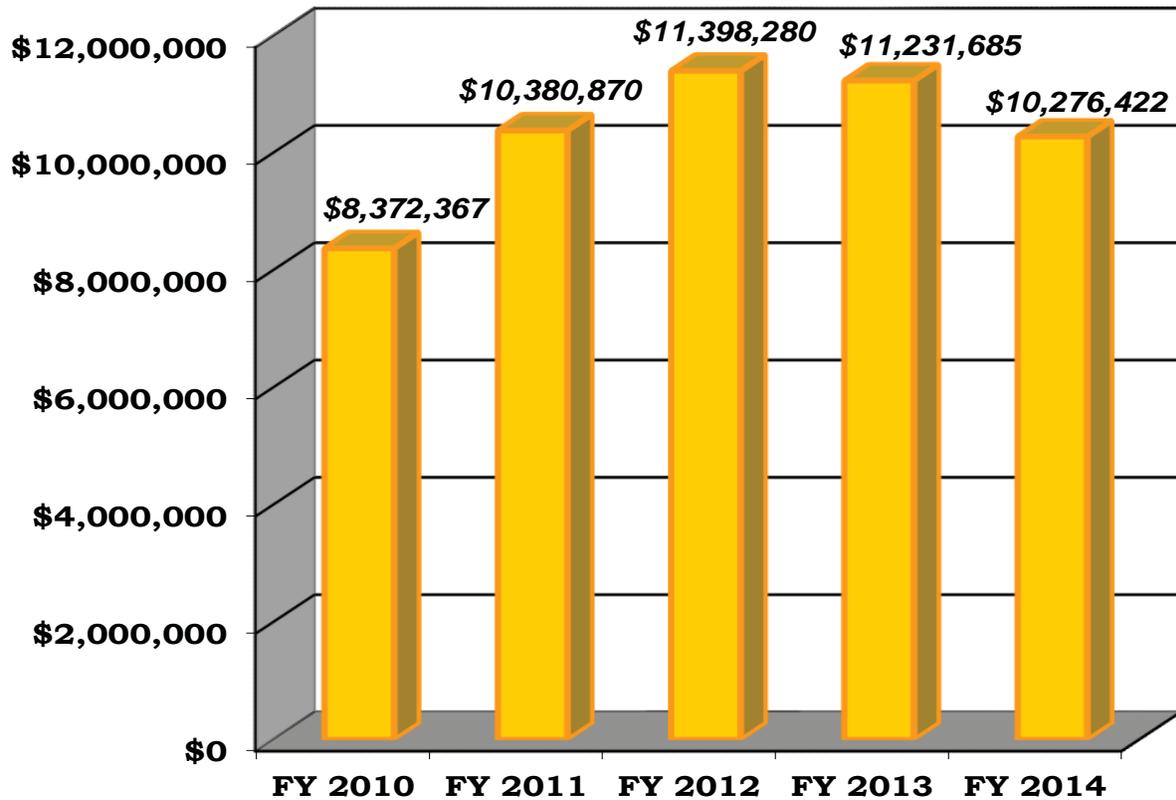


YEAR END	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
3 Yr. Avg. Equalized Valuation	\$3,096,558,331	\$2,964,665,587	\$2,765,081,613	\$2,634,667,314	\$2,578,700,128
Population	18,905	18,411	18,411	18,411	18,529
Equalized Value Per Capita	\$163,796	\$161,027	\$150,186	\$143,103	\$139,171

CASH FLOW

Warning Trend: Decline in Cash Balance.

Formula:
Cash Balance as of December 31st



<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Cash Bal. (Jan. 1st)	\$8,021,297	\$8,372,367	\$10,380,870	\$11,398,280	\$11,231,685
Cash Bal. (Dec. 31st)	\$8,372,367	\$10,380,870	\$11,398,280	\$11,231,685	\$10,276,422
Change in Cash Balance	\$351,070	\$2,008,503	\$1,017,410	\$(166,595)	\$(955,263)
Percentage Change	4.38%	23.99%	9.80%	-1.46%	-8.51%

Liquidity determines a Town’s ability to meet its short term obligations. Poor levels of liquidity may be a sign of future economic disruption. In 2014, the Town reduced its Tax Anticipation Note borrowing by \$250,00 (from \$3.50 million to \$3.25 million) given its desire to reduce its reliance on borrowing for cash flow purposes because of its improved annual cash on hand.

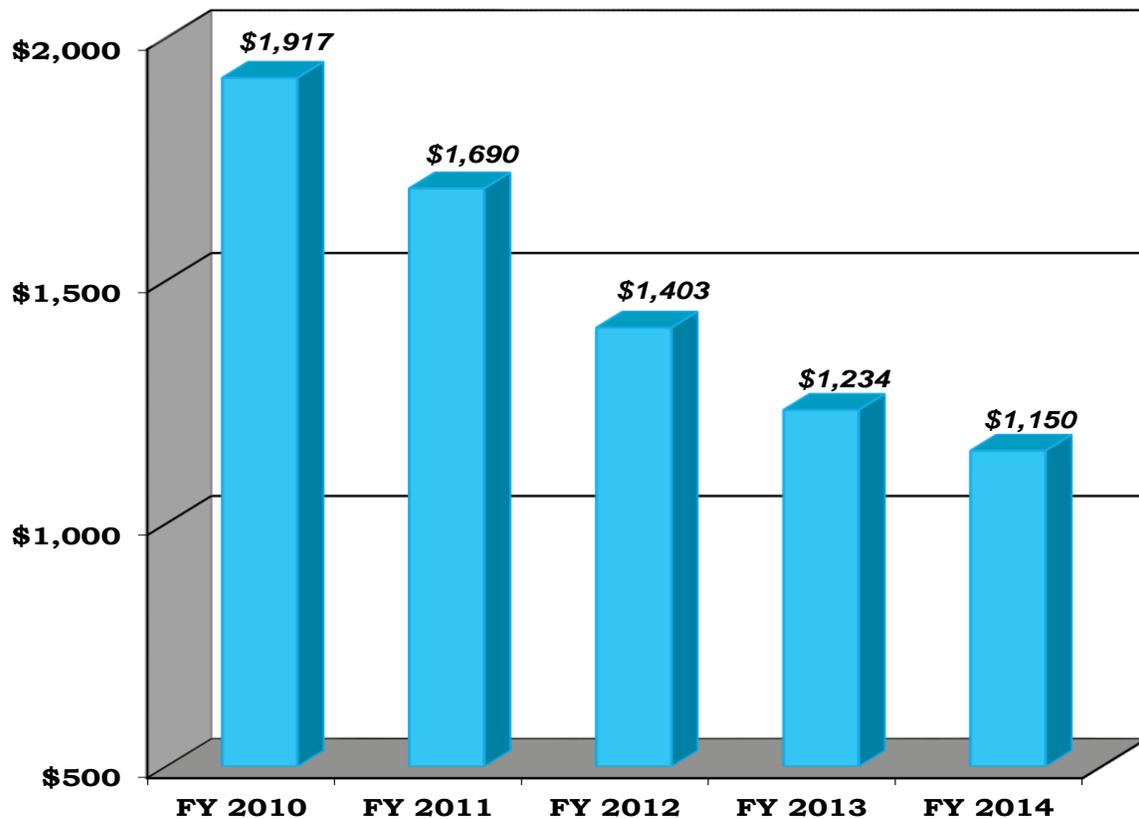
DEBT STRUCTURE

NET DEBT PER CAPITA

Warning Trend: Increasing Bonded Long Term Debt Per Capita.

Formula:

$$\frac{\text{Net Debt (Constant)}}{\text{Population}}$$



FISCAL YEAR	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total Net Debt	\$44,811,391	\$39,673,439	\$33,635,057	\$30,014,816	\$28,598,803
CPI Index	218.0	224.9	229.6	233.0	236.7
CPI Constant	123.62	127.54	130.20	132.13	134.23
CPI In Decimals	1.236	1.275	1.302	1.321	1.342
Net Debt (Constant)	\$36,247,897	\$31,107,226	\$25,832,781	\$22,715,937	\$21,305,929
Population	18,905	18,411	18,411	18,411	18,529
Net Debt Per Capita	\$1,917	\$1,690	\$1,403	\$1,234	\$1,150
Dollar Change	-\$228	\$(228)	\$(286)	\$(169)	\$(84)
Percent Change	-10.64%	-11.88%	-16.96%	-12.07%	-6.80%

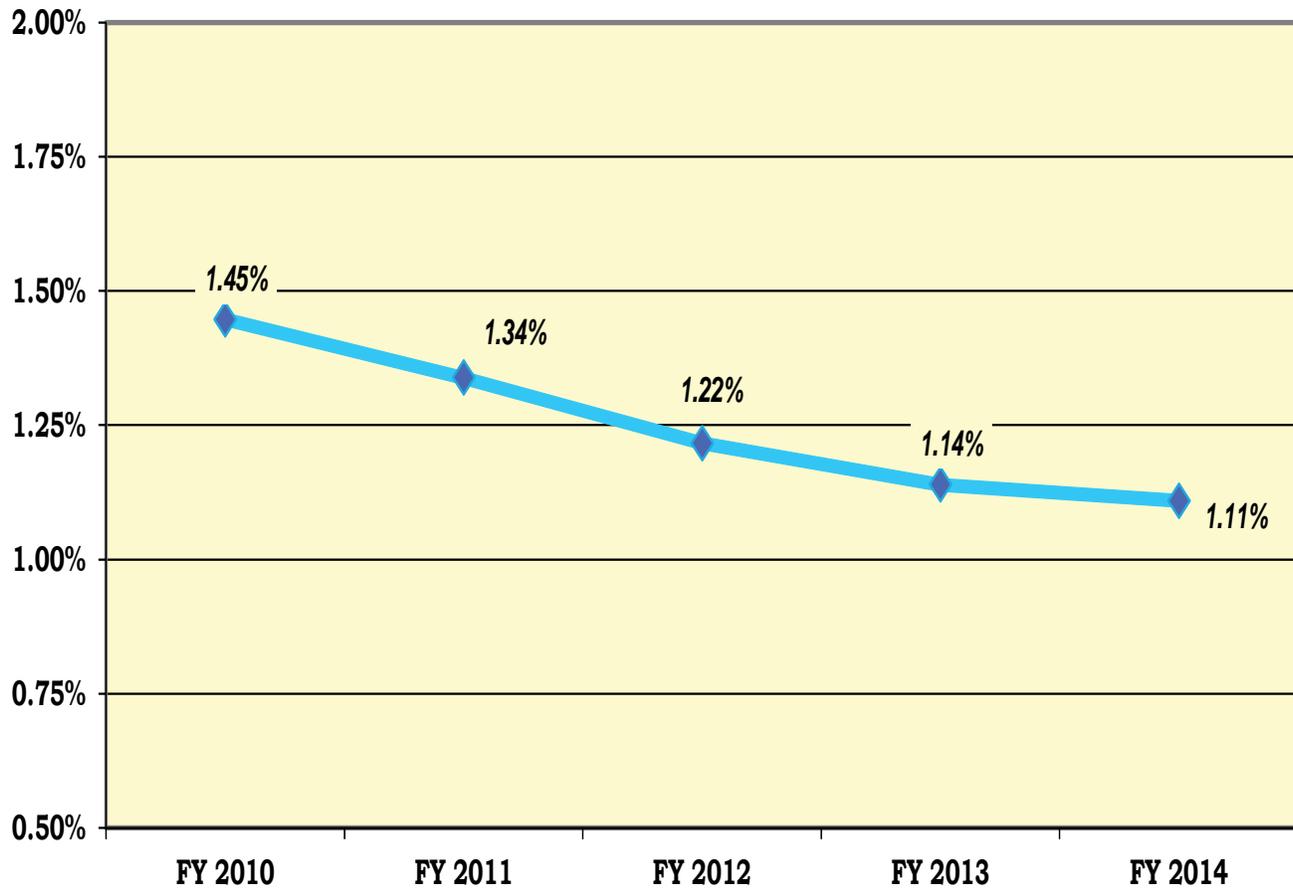
Increased Debt Per Capita presents a threat to the ability of property owners to pay their taxes. This may lead to an increase in outstanding property taxes. The Town’s more fiscally prudent long-term debt management policy over the last eight years has led to a steady reduction in its Net Debt. Indeed, since FY 2005, Net Debt has declined by over \$43 million. Thus, the decline in Net Debt per Capita has been a positive indicator of its healthy financial position.

NET DEBT AS A PERCENTAGE OF EQUALIZED VALUATION

Warning Trend: Increasing Net Debt as a percentage of average equalized valuation.

Formula:

$$\frac{\text{Net Debt}}{\text{3-yr. Avg. Equalized Valuation}}$$



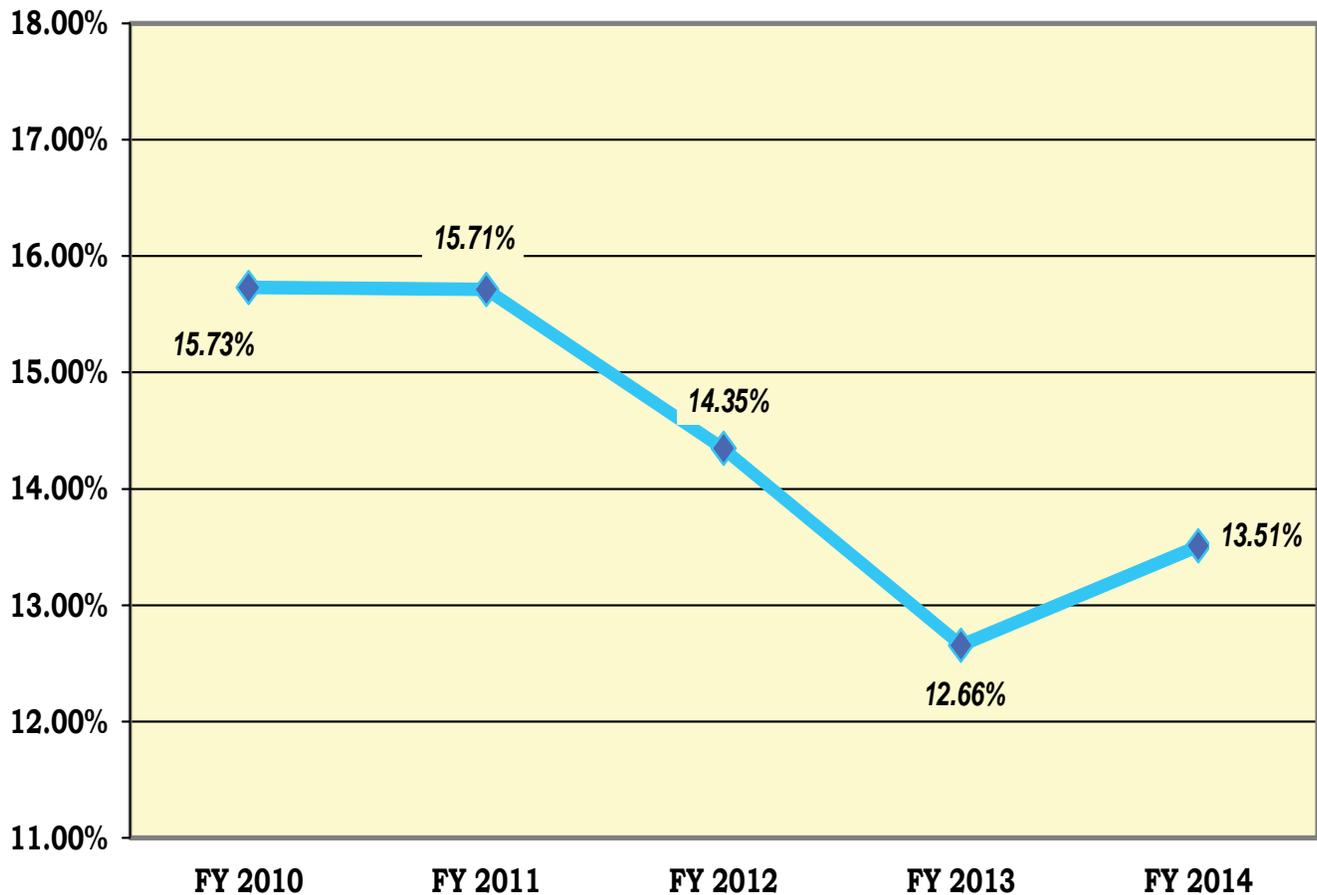
YEAR END	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
3 Year Average Equalized Valuation	\$3,096,558,331	\$2,964,665,587	\$2,765,081,613	\$2,634,667,314	\$2,578,700,128
Net Debt per Annual Debt Statement	\$44,811,391	\$39,673,439	\$33,635,057	\$30,014,816	\$28,598,803
Percentage Change	1.45%	1.34%	1.22%	1.14%	1.11%

DEBT SERVICE EXPENSE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Increasing Debt Service expense as a percentage of Operating Revenue (8% is an acceptable general guideline).

Formula:

$$\frac{\text{Debt Service Expense}}{\text{Total Operating Revenue}}$$



<u>YEAR END</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Total Operating Revenue*	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018	\$37,640,988
Debt Service Expense**	\$6,153,000	\$6,025,000	\$5,779,325	\$5,074,152	5,084,457
Trend	15.73%	15.71%	14.35%	12.66%	13.51%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

**Increasing Debt Service decreases expenditure flexibility by adding to a Town's fixed cost obligation (includes interest on BAN's).